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Improving the financial situation of the United Nations

Financial situation of the United Nations

Report of the Secretary-General

Addendum

Summary

The present report provides a review of the financial situation of the United Nations as at 31 December 2016 and 2017 and as at 30 April 2017 and 2018 and an update of the information presented in the previous report of the Secretary-General (A/72/522).

The report focuses primarily on four financial indicators: assessments issued, unpaid assessments, available cash resources and the Organization's outstanding payments to Member States.

At the end of 2017, cash balances were positive for peacekeeping operations and the tribunals. Nevertheless, the last quarter of the year continued to be a difficult period for regular budget cash. As at 30 April 2018, the overall cash position was positive for all categories, although the regular budget is projected to again experience cash shortfalls towards the end of the year, unless sufficient contributions are received.

The Secretariat is making every effort to expedite outstanding payments for troops and formed police units, as well as for contingent-owned equipment. The final outcome for 2018 will depend on Member States meeting their financial obligations.

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I. Introduction

1. The present report provides an update on the financial situation of the United Nations presented to the General Assembly by the Secretary-General in his previous report (A/72/522) and a review of the financial indicators as at 31 December 2016 and 2017 and as at 30 April 2017 and 2018.

2. In the present report, the financial situation of the United Nations is considered on the basis of the four main financial indicators that have been used to measure the strength of the Organization: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to Member States.

II. Review of the financial situation

3. At the end of 2017, unpaid assessments were higher for all categories than at the end of the previous year. Cash balances were positive for peacekeeping operations and the tribunals; however, the regular budget experienced cash shortfalls during the last quarter of the year.

4. More recently, as at 30 April 2018, unpaid assessments were higher for the regular budget and peacekeeping operations, but lower for the international tribunals, when compared with the previous year. Cash balances were positive for all areas, although the regular budget cash position is expected to tighten again towards the end of the year.

5. As regards troop costs and the cost of contingent-owned equipment, the level of outstanding payments to Member States was lower at the end of 2017 compared with the previous year.

A. Regular budget

6. The review of the regular budget situation as at 31 December 2017 reflected an increase in unpaid assessments (from $409 million at the end of 2016 to $531 million at the end of 2017). In 2018, regular budget assessments were issued at a level of $2.5 billion, $91 million below the level issued in 2017. As at 30 April 2018, unpaid assessments amounted to $1.6 billion, $166 million higher than the level unpaid one year earlier.

7. By the end of 2017, a total of 145 Member States had paid their regular budget assessments in full, matching the number at the end of 2016. The Secretary-General wishes to thank the 145 Member States that had honoured their obligations to the regular budget in full by 31 December 2017 and invites other Member States to follow their example.

8. More recently, as at 30 April 2018, 88 Member States had paid their assessments to the regular budget in full, four fewer than the number that had paid by 30 April 2017. The Secretary-General wishes to pay tribute to those 88 Member States for their support for the work of the Organization and urges all other Member States to pay their assessed contributions in full as soon as possible.

9. Cash resources available for the regular budget under the General Fund include the Working Capital Fund, authorized at $150 million by the General Assembly, and the Special Account, currently at a level of $202 million.

10. During the final months of 2017, the regular budget experienced increasing cash shortfalls. This is a troubling pattern that has been experienced in recent years. The final position at 31 December 2017 reflected a $278 million cash shortfall.

11. By 30 April 2018, the regular budget cash position had improved as a result of contributions from Member States in the first quarter of the year. The current cash level is $330 million. While the regular budget cash position is currently positive, the monthly pattern reflects declining cash levels as the year progresses; severe cash problems will again arise in the final months of the year unless sufficient contributions are received. Given the limited reserves available in the Working Capital Fund and the Special Account, the final outcome for 2018 will depend largely on the payments to be made by Member States in the coming months.

B. Peacekeeping operations

12. The changing demand for peacekeeping activities makes it hard to predict financial requirements. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation and assessment letters are issued for different periods throughout the year.

13. At the end of 2017, unpaid assessments for peacekeeping operations amounted to $1.9 billion, reflecting an increase of $128 million compared with the amount outstanding at the end of 2016. In 2018, new assessments of $1.5 billion have been issued to date. Payments of approximately $1.1 billion have been received. As at 30 April 2018, the level of unpaid assessments was $2.3 billion.

14. As regards outstanding payments to Member States, the amount owed for troops, formed police units and contingent-owned equipment totalled $796 million at the end of 2017, reflecting a decrease of $14 million from the $810 million outstanding at the end of 2016.

15. As at 30 April 2018, a total of $1.2 billion was owed to Member States. This was comprised of $385 million for troops and formed police units, $734 million for contingent-owned equipment claims for active missions and $86 million for contingent-owned equipment claims for closed missions. The current amount outstanding includes payments relating to missions with additional appropriations approved in December 2017 (African Union-United Nations Hybrid Operation in Darfur and United Nations Mission for Justice Support in Haiti), for which assessments were issued in January 2018. Additional troop payments are scheduled for the current month for two missions: the African Union-United Nations Hybrid Operation in Darfur and the United Nations Peacekeeping Force in Cyprus, and further payments of $506 million are planned by the end of the current quarter.

16. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment as expeditiously as possible, as the cash situation permits. In this regard, the peacekeeping cash situation is monitored continuously, and the Organization attaches high priority to maximizing the quarterly payments based on the available cash and data. To effect those payments, the United Nations depends on Member States meeting their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with contributors of contingent-owned equipment.

17. The review of unpaid peacekeeping assessments as at 30 April 2018 shows that the outstanding $2.3 billion is comprised of $1.9 billion owed for active missions and $414 million for closed missions. For active missions, $798 million relates to 2018 assessments, while $1.1 billion relates to assessments issued in 2017 and before.

18. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. By 31 December 2017, 29 Member States had paid all peacekeeping assessments in full. The Secretary-General wishes to give special thanks for those payments to Armenia, Australia, Canada, China, Cyprus, Czechia, Denmark, Finland, Germany, Ireland, Israel, Kyrgyzstan, Latvia, Liechtenstein, Monaco, the Netherlands, New Zealand, Norway, Poland, Qatar, the Republic of Korea, the Russian Federation, Saint Kitts and Nevis, Senegal, Singapore, Slovakia, Sweden, Switzerland and Tuvalu.

19. By 30 April 2018, the number of Member States that had paid all due and payable peacekeeping assessments had risen to 38. The Secretary-General would like to pay special tribute to these 38 Member States for their efforts. They were Armenia, Australia, Austria, Azerbaijan, Bahrain, Belgium, Brunei Darussalam, Canada, Cuba, Denmark, Estonia, Finland, Germany, Hungary, Iceland, Ireland, Italy, Japan, Kuwait, Latvia, Liberia, Liechtenstein, Luxembourg, Monaco, Namibia, the Netherlands, New Zealand, Nicaragua, Norway, Poland, Qatar, Samoa, Singapore, Slovakia, Slovenia, Sweden, Switzerland and Tuvalu.

20. Although the cash available for peacekeeping (including the reserve) at the end of 2017 totalled approximately $3 billion, this amount is segregated in accordance with the decision of the General Assembly to maintain separate accounts for each mission. The General Assembly has specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. The use of the Peacekeeping Reserve Fund is restricted to new operations and the expansion of existing ones. The cash available at the end of 2017 comprised approximately $2.7 billion in the accounts of active missions, $177 million in the accounts of closed missions and $138 million in the Peacekeeping Reserve Fund.

C. International tribunals

21. At the end of 2017, 114 Member States had paid their assessed contributions for the international tribunals in full, and unpaid assessments amounted to $47 million.

22. More recently, as at 30 April 2018, unpaid assessments for the international tribunals amounted to $83 million, of which $7.8 million remained outstanding for the International Criminal Tribunal for Rwanda, which was last assessed in 2016. By 30 April 2018, 162 Member States had paid in full for the International Criminal Tribunal for Rwanda, while 70 Member States had paid in full for the International Tribunal for the Former Yugoslavia and 66 Member States for the International Residual Mechanism for Criminal Tribunals.

23. The month-by-month position of cash balances for the tribunals has been positive in 2016, 2017 and, so far, in 2018. The final outcome for 2018 will depend on Member States continuing to honour their financial obligations to the tribunals.

D. Financial statements

24. Following the implementation of the International Public Sector Accounting Standards, the Secretariat has been committed to enhancing transparency and access to financial information. The financial statements provide a holistic picture of the Organization, not only of its cash flows, but also of its assets and liabilities. Volume I (currently undergoing audit for 2017) covers the regular budget, as well as voluntary, capital, tax equalization, insurance and other funds. Volume II covers peacekeeping

operations, with the most recent statements (for the year ended 30 June 2017) contained in document A/72/5 (Vol. II).

25. The most recent statements show assets of $8.3 billion for Volume I and $5.0 billion for Volume II, mostly cash, investments and property, plant and equipment. After deducting the liabilities from the assets, the Organization has net assets of $2.1 billion for Volume I and $789 million for Volume II.

26. In terms of revenue and expenses, Volume I entities earned $6.1 billion dollars and spent $5.8 billion, with a surplus of $292 million. For Volume II, the surplus was $11 million, generated by a revenue of $8,275 million and expenses of $8,264 million.

III. Conclusions

27. The Secretary-General wishes to pay special tribute to the 42 Member States that have paid all assessments that were due and payable in full as at 16 May 2018, namely: Andorra, Australia, Austria, Azerbaijan, Bahrain, Belgium, Bhutan, Brunei Darussalam, Canada, China, Côte d'Ivoire, Cuba, Cyprus, Denmark, Estonia, Finland, Germany, Hungary, Iceland, India, Ireland, Italy, Kuwait, Latvia, Liberia, Liechtenstein, Luxembourg, Monaco, Namibia, Netherlands, New Zealand, Nicaragua, Norway, Poland, Qatar, Samoa, Singapore, Slovakia, Slovenia, Sweden, Switzerland and Tuvalu.

28. The financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time. The Secretariat pledges to use funds entrusted to it in a cost-effective manner, and to provide information with the utmost transparency.